

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

**CHEVRON PHILLIPS
CHEMICAL COMPANY, L.P.
AI # 2384**

**PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.**

* Settlement Tracking No.
* SA-AE-06-0029
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* Enforcement Tracking No.
* AE-PP-04-0125
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SETTLEMENT

The following Settlement is hereby agreed to between Chevron Phillips Chemical Company, L.P. ("Respondent") and the Department of Environmental Quality ("DEQ" or "the Department"), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. ("the Act").

I.

Respondent is a corporation who operates a styrene facility located at or near 9901 Louisiana Highway 18 in St. James, St. James Parish, Louisiana ("the Facility").

II.

On February 6, 2006, the Department issued a Notice of Potential Penalty, Enforcement No. AE-PP-04-0125, to Respondent, which was based upon the Department's following findings of fact:

On June 9 and June 14, 2004, inspections of the St. James Styrene Facility, owned and/or operated by Respondent were performed to determine the degree of compliance with the

Louisiana Environmental Quality Act (the Act) and the Air Quality Regulations. The facility operated under Title V Permit No. 2560-00007-V3 issued on November 16, 2000; Title V Permit No. 2560-00007-V4 issued on March 8, 2002; Title V Permit No. 2560-00007-V5 issued on September 29, 2004; and Title V Permit No. 2560-00007-V6 issued on January 28, 2005. The facility is operating under Title V Permit No. 2560-00007-V7 issued on June 1, 2005.

The following violation was noted during the course of the inspection:

The Respondent reported in its 2003 Title V annual compliance certification dated March 31, 2004, that the Styrene Day Tanks Cap (Emission Point No. 6-88) and the Styrene Product Tanks Cap (Emission Point No. 8-88) did not exceed the permitted maximum annual throughputs established in State Only Specific Condition No. 3 of Title V Permit No. 2560-00007-V4. However, according to the Respondent, the permitted VOC emission rates were exceeded due to a calculation error submitted in the original 1996 Title V application. Therefore, the current permitted VOC emission rates for the styrene tanks did not reflect the correct value to allow for the full throughput associated with the permitted styrene production limit of 2.5 billion pounds of styrene per year. The Respondent reported in the revised fourth quarter 2003 Permit Deviation Report dated March 31, 2004, VOC emissions in calendar year 2003 of six (6) tons per year for Emission Point No. 6-88 and 19 tons per year for Emission Point No. 8-88. The VOC permitted annual emission rate for Emission Point No. 6-88 was 4.70 tons per year and the VOC permitted annual emission rate for Emission Point No. 8-88 was 13.71 tons per year. Each exceedance of the permitted VOC annual emission rate for calendar year 2003 for the Tank Caps (Emission Point Nos. 6-88 and 8-88) listed in the Annual Emission Rates of Title V Permit No. 2560-00007-V4 is a violation of Louisiana Air Emission Permit General Condition II of Title V Permit No. 2560-00007-V4, LAC 33:III.501.C.4 and Sections 2057(A)(1) and 2057(A)(2) of the Act.

The Respondent addressed the June 9 and June 14, 2004 inspection in a letter dated August 10, 2004.

The Respondent submitted an addendum to the Title V application dated August 27, 2003, to revise the emissions to accurately reflect the VOC emissions associated with the annual

production limit of 2.5 billion pounds. Title V Permit No. 2560-00007-V4 was modified and Title V Permit No. 2560-00007-V5 was issued on September 29, 2004.

On December 15, 2004, the Respondent met with the Department to discuss an issue involving the Leak Detection and Repair (LDAR) program at the facility. The Respondent submitted a letter dated December 22, 2004, as requested by the Department to document the issue.

On December 30, 2004, a review of the information provided by the Respondent in its letter dated December 22, 2004, was performed to determine the degree of compliance with the Act and the Air Quality Regulations.

The following violation was noted during the course of the review:

According to the letter from the Respondent dated December 22, 2004, following a review of its Title V Permit No. 2560-00007-V5 and PSD Permit No. PSD-LA-551 (M-4) both issued on September 29, 2004, and actual year-to-date emissions calculations, it was determined that the facility had exceeded the benzene and ethylene permit limits and by the end of the year, could potentially exceed other pollutant permit limits established for Area Fugitive Emissions (Emission Point No. 2-90). Each exceedance of each pollutant permit limit for Emission Point No. 2-90 as listed on the Emission Inventory Questionnaire (EIQ) for Air Pollutants is a violation of Louisiana Air Emission Permit General Condition II of Air Permit No. 2560-00007-V5, LAC 33:III.501.C.4, and Sections 2057(A)(1) and 2057(A)(2) of the Act. In the meeting, the Respondent stated that not all components and the corresponding emissions were included in the renewal application submitted on June 10, 2002, for the Title V Permit No. 2560-00007-V5 issued on September 29, 2004. The failure to accurately quantify and include all emissions in the permit application for Emission Point No. 2-90 is a violation of LAC 33:III.517.D.3.d, LAC 33:III.501.C.2, and Sections 2057(A)(1) and 2057(A)(2) of the Act.

The Respondent submitted a permit modification application dated December 30, 2004, to the Department reflecting the changes in emissions and the addition of previously unpermitted

emissions for Emission Point No. 2-90. Title V Permit No. 2560-00007-V6 was issued to the Respondent on January 28, 2005.

On December 15, 2005, a file review was performed to determine the degree of compliance with the Act and the Air Quality Regulations.

The following violations were noted during the course of the review:

- A. On or about April 1, 2002, the Department received the Respondent's annual compliance certification report dated March 27, 2002, detailing permit deviations for the 2001 calendar year. According to the information submitted, the Respondent failed to visually inspect weekly for opacity on two different weeks for each of the following emission points: the SM-1 Flare (Emission Point No. GY-312), the SM-2 Flare (Emission Point No. 5-88), and the Boiler Stacks (Emission Point Nos. HS-301A, HS-301B, and HS-301C). Each failure to visually inspect is a violation of Part 70 Specific Condition No. 4 of Title V Permit No. 2560-00007-V3, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- B. On or about April 1, 2002, the Department received the Respondent's annual compliance certification report dated March 27, 2002, detailing permit deviations for the 2001 calendar year. According to the information submitted, the Respondent failed to monitor the Cooling Towers (Emission Point Nos. 1-95A and/or 1-95B) for 41 instances for the presence of aromatics by daily sampling and testing. Each failure to monitor is a violation of State Only Specific Condition Nos. 1 and 2.b of Title V Permit No. 2560-00007-V3, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- C. On or about March 31, 2003, the Department received the Respondent's annual compliance certification report dated March 27, 2003, detailing permit deviations for the 2002 calendar year. According to the information submitted by the Respondent, the SM-1 Flare (Emission Point No. GY-312) had two (2) occurrences, both on November 5, 2002, whereby a continuous pilot flame was not maintained. Each occurrence is a violation of Part 70 and State Only Specific Condition No. 1 of Title V Permit No. 2560-00007-V4, 40 CFR 63.11(b)(5) which language has been adopted as a Louisiana regulation in LAC 33:III.5122, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

- D. On or about March 31, 2003, the Department received the Respondent's annual compliance certification report dated March 27, 2003, detailing permit deviations for the 2002 calendar year. According to the information submitted, the Respondent failed to monitor for the presence of aromatics by failing to perform daily sampling and testing for the Cooling Tower (Emission Point No. 1-95A) for three (3) days (March 8, 2002, March 9, 2002, and March 20, 2002). Each failure to monitor is a violation of State Only Specific Condition Nos. 1 and 2.b of Title V Permit No. 2560-00007-V4, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- E. On or about March 31, 2003, the Department received the Respondent's annual compliance certification report dated March 27, 2003, detailing permit deviations for the 2002 calendar year. According to the information submitted by the Respondent, written notification of certified construction completeness was not submitted to the Department within ten (10) days of completing construction. This is a violation of Louisiana Air Emission Permit General Condition VI of Title V Permit No. 2560-00007-V4, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

Subsequent to the issuance of NOPP, Enforcement Tracking No. AE-PP-04-0125, the Respondent requested a meeting with the Department. On March 7, 2006, the Respondent met with the Department to discuss the NOPP referenced herein above. During the meeting, the Respondent noted 41 failures to monitor the Cooling Towers (Emission Points 1-95A and/or 1-95B) for the presence of aromatics by daily sampling and testing were cited in the NOPP. The Respondent supplemented the meeting record saying, there were actually 44 reported missed monitoring instances.

In a letter dated March 31, 2006, the Respondent proposed to settle issues reported to the Department in letters and reports herein below. These issues are not the subject matter of an enforcement action issued by the Department.

1. The Department received an unauthorized incident report from the Respondent dated October 15, 2004, an updated report dated October 22,

2004, and the Title V semiannual monitoring report and Title V annual compliance certification both dated March 30, 2005, indicating a release of approximately 16.22 pounds of nitrogen oxides (NO_x). The report noted that the release occurred on or about October 8, 2004, from 5:45 a.m. until 7:10 a.m. According to the Respondent's report, the St. James facility experienced an unexpected loss of power. A breaker, downstream from an Entergy transformer that feeds power to the facility failed. The power loss triggered the facility to experience multiple malfunctions and shutdowns to various pieces of equipment. The Steam Superheater (Emission Point 2-88 HS-4219/4201) experienced several system upsets during this power failure event resulting in the exceedance of the nitrogen oxides (NO_x) emissions permit limit. According to the Respondent's report, Entergy began replacing the breaker immediately following the power loss incident. According to the Respondent, the discharge was the result of the unexpected power failure. The Respondent explained that the failure of the breaker downstream of the transformer was unexpected and unplanned.

2. The Department received an unauthorized incident report from the Respondent dated October 15, 2004, and the Title V semiannual monitoring report and Title V annual compliance certification both dated March 30, 2005, indicating a release of approximately 240 pounds of ethylene. The report noted that the release occurred on or about October 8, 2004, from 5:54 a.m. until 6:01 a.m. According to the Respondent's report, a power loss on October 8, 2004, triggered multiple malfunctions and shutdowns of equipment. Upon startup of the Ethylbenzene Unit, PSV-1008 did not properly reseal after lifting. When the ethylene feed to the Ethylbenzene Unit was re-established, the control valves in the system over pressurized causing pressure safety valve (PSV-1008) to lift. The ethylene was sent to the SM-2 Flare which is a permitted control device with a destruction efficiency of 99 percent. Entergy began replacing the breaker immediately following the power loss incident. According to the March 31, 2006 letter, the PSV was replaced. The Respondent noted in the reports and letter that the discharge was the result of the unexpected power failure and the failure of the breaker downstream of the transformer was unexpected and therefore unplanned.
3. The Respondent submitted in the follow-up notification report dated July 21, 2005 and the 40 CFR Part 70 permit deviation report dated December 14, 2005 as referenced in the Title V semiannual monitoring report dated February 20, 2006, and the Title V annual compliance certification dated March 21, 2006, that the maximum temperature for the SM-2 Hotwell Absorption Tower (Emission Point 26-88) was exceeded from 12:10 a.m. on July 19, 2005, until 12:14 a.m. on July 20, 2005. The Respondent's report noted the total pounds of toluene and benzene emitted above the permit limit were 0.26 pounds and 0.1 pounds, respectively. The Respondent noted that the malfunctioning

equipment was replaced with three (3) temporary refrigeration units until repairs were made. According to the Respondent, the temperature exceedance was the result of a mechanical failure of process refrigeration equipment. The Respondent noted that the malfunction of the equipment triggered the increase in temperature of the SM-2 Hotwell Absorption Tower.

4. The Respondent recounted in the follow up notification report dated November 30, 2005, and the 40 CFR Part 70 Permit Deviation Report dated March 1, 2006 as referenced in the Title V semiannual monitoring report dated February 20, 2006 and the Title V annual compliance certification dated March 21, 2006, that on November 26, 2005, at approximately 6:38 p.m., the St. James Plant experienced a severe rainstorm that caused the facility SM-2 Flare Stack (Emission Point 5-88) to flame out. As a result of the incident the facility exceeded the reportable quantity for benzene. The Respondent noted that 12.8 pounds of benzene, 14.2 pounds of VOC (excluding ethane and methane) and 38.3 pounds of flammable gases were released to the atmosphere. However, the Respondent noted that no permitted limits were exceeded. According to the Respondent, due to the severity of the weather, the facility was unable to immediately relight the pilots of the flare until approximately 7:20 p.m. The Respondent noted that the severity of the rain storm was unexpected and therefore the discharge could not have been prevented.
5. The Respondent disclosed in the follow up notification report dated December 5, 2005, and the 40 CFR Part 70 Permit Deviation Report dated March 1, 2006 as referenced in the Title V semiannual monitoring report dated February 20, 2006 and the Title V annual compliance certification dated March 21, 2006, that on November 30, 2005, at approximately 9:17 p.m. the St. James Plant was in the process of starting up the SM-2 Unit when a surge of nitrogen to the SM-2 Flare Stack (Emission Point 5-88) caused the flare to flame out. The Respondent noted that nitrogen is circulated into the Unit during the startup process. When this circulation is complete steam is then added to the unit. The addition of the steam causes the accumulation of nitrogen in the unit to be purged to the SM-II flare. The surge of nitrogen was such that it caused the SM-2 flare to flame out for approximately 15 minutes. According to the Respondent, the flare was relit at approximately 9:32 p.m. As a result of the incident a total of 5.1 pounds of VOC, excluding ethane and methane, were released to the atmosphere as well as 13.7 pounds of flammable gases. According to the Respondent, the discharge was not preventable because it was an unexpected event that occurred during the startup of the SM-2 Unit. The Respondent also noted that the activities associated with the startup of the SM-2 Unit were consistent with the startup, shutdown, and malfunction plan (SSMP).

6. The Respondent reported in the 40 CFR Part 70 Permit Deviation Report dated March 1, 2006, as referenced in the Title V semiannual monitoring report dated February 20, 2006, and the Title V annual compliance certification dated March 21, 2006, that due to an administrative delay, the 40 CFR 63 Subpart H semiannual fugitive emissions report for the period encompassing the months of January through June 2005, due on Friday, September 30, 2005, was inadvertently submitted late on Monday, October 3, 2005. The failure to submit the HON Fugitive semiannual report for the period encompassing the months of January through June 2005 by September 30, 2005, is a violation of Part 70 Specific Condition 2.c of Title V Permit No. 2560-00007-V7, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

The following issues, though not the subject matter of an enforcement action issued by the Department, are included in this settlement agreement.

1. A file review conducted by the Department on or about May 3, 2006, revealed that the Respondent failed to report in its Discharge Monitoring Report (DMR) for Outfall 003Q for January 2002 a minimum pH value. This failure to report is in violation of LPDES permit LA0029963 (Part I, Page 2 and Part III, Section A.1), La. R.S. 30:2076 (A) (3), LAC 33:IX.501.A, and LAC 33:IX.2701.A.
2. On or about April 8, 2003, the Respondent reported that a process sump overflowed into a storm sewer due to excessive rains. The hydrocarbon-contaminated wastewater discharged into a concrete ditch that flowed into the fire water retention pond. Results of a sample taken by the Respondent revealed a Benzene sample of 0.22 mg/L. Although fire water retention pond is permitted as Outfall 002 in LPDES permit LA0029963, benzene is not an authorize pollutant and/or characteristic of this outfall. The discharge of Benzene via Outfall 002 is a violation of LPDES permit LA0029963 (Part I, and Part III, Section A.2), La. R.S. 30:2076 (A) (1), La. R.S. 30:2076 (A) (3), LAC 33:IX.501.A, LAC 33:IX.501.D, and LAC 33:IX.2701.A.
3. On or about July 15, 2004, the Respondent reported an unauthorized discharge of 19.1 pounds of benzene and 1375 pounds of Styrene to the ground which was channeled to an area sump drain. According to the Respondent, approximately 95% of the materials were recovered.
4. On or about September 16, 2004, the Respondent reported the unauthorized discharge of 0.006 pounds of 2-sec butyl-4,6-dinitrophenol (DNBP) from Internal Outfall 101, via Outfall 001 to the Mississippi River. LPDES permit LA0029963 does not authorize the Respondent to discharge 2-sec butyl-4,6-dinitrophenol (DNBP). The discharge of this pollutant is a violation of

LPDES permit LA0029963 (Part I, and Part III, Section A.2), La. R.S. 30:2076 (A) (1), La. R.S. 30:2076 (A) (3), LAC 33:IX.501.A, LAC 33:IX.501.D, and LAC 33:IX.2701.A.

5. The Respondent reported in Discharge Monitoring Reports (DMRs), and a file review conducted by the Department on or about May 3, 2006, confirmed, the following permit excursions:

Date	Outfall	Parameter	Permit Limit	Sample Value
07/2002	003Q	pH Maximum	9.0 SU	9.32 SU
02/2003	203S	TSS (Weekly Average)	45 mg/L	65 mg/L
08/2003	303S	Fecal Coliform (Weekly Average)	400 col/100 ml	2800 col/100 ml
02/2004	303S	TSS Weekly Average	45 mg/L	502 mg/L

Each excursion of the permit constitutes a violation of LPDES permit LA0029963 (Part I, and Part III, Section A.2), La. R.S. 30:2076 (A) (1), La. R.S. 30:2076 (A) (3), LAC 33:IX.501.A, LAC 33:IX.501.D, and LAC 33:IX.2701.A.

6. A file review conducted by the Department on or about May 3, 2006, revealed that the Respondent failed to sample in accordance with its permit. Specifically, a review of the March 2005 DMR for Outfall 002 revealed that the Respondent failed to collect and analyze the required weekly sample from the Emergency Firewater Pond during the week of March 13, 2005 through March 19, 2005. The failure to collect and sample the discharge is in violation of LPDES permit LA0029963 (Part I, Page 2 and Part III, Section A.1), La. R.S. 30:2076 (A) (3), LAC 33:IX.501.A, and LAC 33:IX.2701.A.

III.

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

IV.

Nonetheless, Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of FOURTEEN THOUSAND FOUR HUNDRED THIRTY-FIVE AND 50/100 DOLLARS

(\$14,435.50), of which One Thousand Nine Hundred Eleven and 55/100 Dollars (\$1,911.55) represents DEQ's enforcement costs, in settlement of the claims set forth in this agreement. The total amount of money expended by Respondent on cash payments to DEQ as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).

V.

Respondent further agrees that the Department may consider the inspection report(s), the Notice of Potential Penalty and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent, and in any such action Respondent shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining Respondent's compliance history.

VI.

This agreement shall be considered a final order of the secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any right to administrative or judicial review of the terms of this agreement, except such review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

VII.

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in LSA- R. S. 30:2025(E) of the Act.

VIII.

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in St. James Parish, Louisiana. The advertisement, in form, wording, and size approved by the Department, announced the availability of this settlement for public view and comment and the opportunity for a public hearing. Respondent has submitted a proof-of-publication affidavit to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

IX.

Payment is to be made within ten (10) days from notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department. Payments are to be made by check, payable to the Department of Environmental Quality, and mailed or delivered to the attention of Accountant Administrator, Financial Services Division, Department of Environmental Quality, Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303. Each payment shall be accompanied by a completed Settlement Payment Form (Exhibit A).

X.

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XI.

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his/her respective party, and to legally bind such party to its terms and conditions.

**CHEVRON PHILLIPS
CHEMICAL COMPANY, L.P.**

BY: Theodore F. Henken Jr.
(Signature)

THEODORE F. HENKEN JR.
(Print)

TITLE: PLANT MANAGER

THUS DONE AND SIGNED in duplicate original before me this 15th day of
February, 20 08, at Donaldsonville, LA.

Nicole O. Crawford
NOTARY PUBLIC (ID # 80250)

Nicole O. Crawford
(Print)

**LOUISIANA DEPARTMENT OF
ENVIRONMENTAL QUALITY**
Harold Leggett, Ph.D., Secretary

BY: Peggy M. Hatch
Peggy M. Hatch, Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 26th day of
July, 20 08, at Baton Rouge, Louisiana.

[Signature]
NOTARY PUBLIC (ID # 40535)

Ted R. Boyles II
(Print)

Approved: [Signature]
Harold Leggett, Ph.D., Assistant Secretary